

## Rural Finance Leader Development Program – Romania 2005 Annual Report

Romania continues to steadily make progress in providing credit to Rural Agribusinesses. The enormous burden of credit assistance to a predominately subsistence based sector has been facilitated through the cooperation of numerous interventions:

- ❖ Credit Law 150 – Providing incentive through interest payment reduction for timely repayment of debt obligations.
- ❖ CEC Protocol – The cooperation of the CEC Bank, Romanian Guarantee Fund and OJCA (County Office for Public Agricultural Consultants) to provide financing to rural areas below the level of 10,000 Euro.
- ❖ Farmer Program (Proposed in 05) – An expansion of the CEC protocol model increasing the loan limit and increasing the guarantee provided to Banks to 100%.
- ❖ SAPARD – Measure 1.1, Measure 3.1 and Measure 3.4 focused on economic activities within the agricultural sector.
- ❖ Guarantee Funds – Both the FNGNIMM (National Guarantee Fund for SMEs)- and the RCGF (Rural Credit Guarantee Fund) have products designed to assist Agribusinesses. World Bank also has created a guarantee fund through a contractual arrangement with selected Romanian Banks and may be used for Agribusinesses’.
- ❖ Commercial Romanian Banks – The further awakening of the Commercial Bank sector to the potential for Bank profit by serving the Agricultural Sector and creating products tailored to their business needs.

The interventions all have the potential to advance the production capacity within the Agribusiness sector. With the added benefit of further preparing the Romanian Agricultural sector for entry within the European Union. These interventions have received a great deal of media coverage which has caused high expectations within the rural sector. In many cases the local representatives have been flooded with requests for implementation of advertised interventions. It is a relatively easy task to survey Romanians in the rural area and to then compile a list of reasons as to why these interventions do not or will not work. And in many cases the population has become quite negative about any new announcement for assistance to the rural population. One role our program has played which has provided a great deal of local impact; is to package together these interventions in such a way that implementation is possible. For example:

- ❖ It was a common complaint by all parties involved in agricultural financing that producers do not come prepared when requesting financial assistance. The RFLD program responded by creating a simple “Credit Kit” that will help the producers organize their information and as an end result; make a better business decision when requesting credit.  
*Mr. Buzadu – Olt County, “The credit kit that I was provided made the difference for me when I asked for my recent Bank loan to purchase 10 Pregnant Holsteins from Germany, Thank-you!”*
- ❖ The Metropolitan Church has received from the Romanian Government a number of properties that had previously been managed by the former Communist government. RFLD has provided a Financial Consultant with experience in developing Agribusiness feasibility studies to assist the regional Bishops in selecting the best opportunity for local economic development.  
*Bishop Daniel – Iasi County, “Thank-you for your project assistance in helping us in the selection of which of our properties to further develop.”*
- ❖ While meeting with various SAPARD Directors we were requested to provide some technical assistance in a very practical way to increase the skills of the financial consultants. RFLD designed and implemented a training program for 40 Financial consultants bringing together all the interventions mentioned above in a case study setting.  
*Mr. Stuparu – Olt County, “A year later and I am still remembering and using the concepts taught at your training, to utilize local teams in developing solution to Agribusiness problems.”*
- ❖ Many times throughout the year the RFLD program has been a dependable conduit of current information for Financial Consultants, Commercial Banks and Program directors. As our Program staff regularly travels throughout our 14 target counties, they tend to understand very well the current situations within the Country.

### **Capacity Building**

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The Rural Finance Leader Development program was designed with the intention of developing county level teams that could be used as a resource to successfully deliver the needed credit to the rural sector. The program design's success is due to the network of local people that have been built one person at a time while patiently listening to county level resources. The County model includes four team members sharing information and problem solving skills while being coached and encouraged through the RFLD project leadership.

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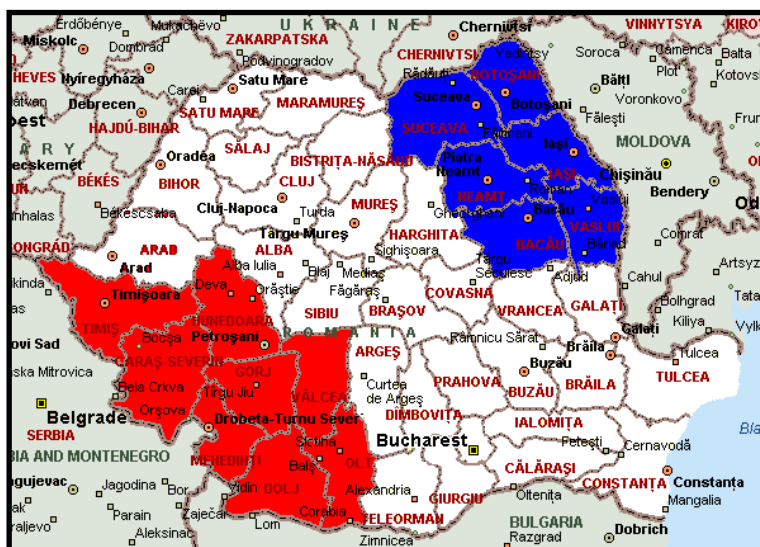





Identifier	Beneficiary	Initiator	Funding Agent
<b>OJCA</b> <b>Suppliers</b> <b>Association</b> <b>Church</b>	<b>Mici afaceri cu</b> <b>potentia de</b> <b>crestere spre o</b> <b>afacere de</b> <b>marime medie.</b>	<b>Private Consultants</b> <b>Public Consultants</b>	<b>Banks</b> <b>Micro-credit</b> <b>SAPARD</b> <b>Guarantee fund</b>

The Identifier recognizes the characteristics that we are looking for and may use “credit kit” training sessions to filter out serious credit beneficiaries. The target beneficiary is involved in an existing or start-up Agribusiness requiring funding of over 50,000 Euro and is younger than 40 years of age. Once a screening report has been completed by the Initiator and approved by the RFLD Director; the project is presented to a funding agent. The process is facilitated as needed by RFLD staff and in many cases the project introduces Initiators to their local funding agents. As the slide to the left indicates; the project

truly works on the grassroots level to solve local credit problems. The County team network is overseen by a regional program director. The regional director is responsible for maintaining the relationships and collecting intervention information and project data from their regional counties.



### Western Regional Director.

Mrs. Mihaela Constantinescu – Responsible for team building in Timis, Hunedoara, Cares Severin, Dolj, Olt Valcea and Mehedinti counties.

### Eastern Regional Director.

Mrs. Krisztina Dobay – Responsible for Suceava, Botosani, Neamt, Iasi, Bacau and Vaslui counties.

RFLD operates in 14 of the 28 counties in Romania which constitutes coverage of approximately a third of the country. This, the second project year, has again facilitated a number of

implemented agribusiness projects ranging from agro-tourism pensions to snail production. For 2006 we are proposing launching the project in 7 seven counties within the Transilvania region.

The project data listed below is a compilation of the data bases for both the Western and Eastern regions and represents funded projects that are currently being implemented. Individual project information is available upon request.

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	<b>2005 Results</b>	
	<b>Number</b>	<b>Amount</b>
<b><i>Types of Project Financing</i></b>		
SAPARD (Self-funded)	20	\$2,759,188
SAPARD (Bank Co financing)	16	\$6,488,647
Direct Bank Financing	22	\$242,532
Self Funded Project	6	\$435,769
<b>Total</b>	<b>64</b>	<b>\$9,926,136</b>
<b><i>Commercial Bank Activity</i></b>		
BCR	15	\$2,451,926
BRD	1	\$32,500
CAPPA	1	\$6,546
Carpatia	1	\$380,353
Procredit	15	\$95,716
Reiffeissen	2	\$682,2324
Tiriac	1	\$2,213,250
Transilvania	1	\$60,407
Unicredit	1	\$807,924
<b>Total</b>	<b>38</b>	<b>\$6,731,179</b>
<b><i>Project Sector types</i></b>		
Agro tourism	12	\$2,032,867
Cereal	17	\$1,527,861
Dairy	4	\$343,633
Fruit	1	\$36,598
Fish	1	\$259,811
Honey	11	\$371,870
Meat	7	\$3,239,645
Milk	1	\$263,380
Mill	1	\$26,000
Mushroom	2	\$256,129
Snail Farm	2	\$43,459
Vegetables	3	\$870,801
Wine	1	\$130,000
<b>Total</b>	<b>64</b>	<b>\$9,926,136</b>

Most of our requests involve a request for a new or expansion of an existing business resulting in an application for the European Funded SAPARD grant program. A total of 93% of our funded projects include a grant from the SAPARD program. There has been an enormous amount of pressure placed upon regional SAPARD office to absorb the Euros allocated for Romania. The threat is that Romania would lose the funding if it was not able to absorb these funds. RFLD has focused on assisting Regional SAPARD Directors to process and utilize the budget funds for agricultural projects.

The project wishes to increase the amount of Commercial loans that are distributed to agribusinesses in the rural sector. Of the total funded for projects, 68% involved a co financing arrangement with Romanian Commercial Banks.

Of the 64 beneficiaries that we assisted in acquiring project funding a majority of them were in the either, Agro-tourism, Cereals, Meat and Honey production.

### **Technical Assistance programs**

1. Young Business Professionals Program – Six Romanian participants took part in a tailored Agri-business program held at Iowa State University in September. Participants were under forty years of age, spoke fluent English and were involved in a Agriculture service or production related field.
2. Credit Kit training – One thousand copies of an agricultural record keeping system were provided to OJCA trainers; that if implemented properly, will facilitate agricultural loan approval from Commercial Banks.



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3. Vatra Dornei Financial Consultant Seminar – Forty consultants from the Moldova region took part in a three day workshop that focused on the development of agribusiness plans that clearly indicated to banks the potential risks involved in the business and how they would be managed.
4. County level team meetings – As Mr. Prescott and the RFLD regional directors' travel to each of their counties; there is a constant shortage of current accurate information. RFLD attempts to provide up to date information on Romanian credit related programs and activities to our county team members.

When the project began in 2003 we worked to meet the needs of the local clients by listening to them and to then respond within our current program design. This grassroots approach has been applauded by a number of our team members who have appreciated the proactive problem solving attitude represented by the RFLD team.

The measurable impact alone is impressive as it represents a \$35 dollar return on the US taxpayer investment for every dollar invested through the Iowa State University RFLD project. But, even greater than this measurable impact is the observation by RFLD staff in seeing possibilities for Agribusiness funding that were only a dream a short time ago:

- The change in the behavior of the Romanian Commercial Banks that at one time said that there was no money to be made in financing agriculture. Today we have Romanian banks designing specific loan products for agriculture.
- The observation of our team members in building their own networks to train future clients and develop bank contacts that enhance their professional results. This sustainable capacity building as a result of our project will continue long after USAID funding has left Romania and is one of the most satisfying for RFLD team members to observe.
- To observe OJCA functioning as a true extension service in providing timely information and practical solutions to the thousands of business men that pass through their offices each month is a project legacy that was previously only a dream. When RFLD began working with OJCA it was the opinion of many that the extension service was of very little value and had nearly no capacity to make any serious impact in agriculture. That is truly not the case today as they are relied upon heavily to assist farmers in seeking credit through the CEC Bank protocol and the soon to be announced Farmer program.

As the RFLD team looks to the next funding year as a result of the gracious decision from USAID and USDA to continue the program for another year: we are excited to begin developing a new set of teams in the Transilvania region during 2006. We continue to listen to the Romanian people in the rural areas and to constantly fine tune our program design and focus to meet the evolving needs of the Romanian Agribusiness Entrepreneur in the rural sectors.

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